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COMMCARE CORPORATION

FINANCIAL STATEMENTS

JUNE 30, 2011

P&N Postlethwaite & Netterville

A Professional Accounting Corporation

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COMMCARE CORPORATION

FINANCIAL STATEMENTS

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P&N Postlethwaite & Netterville
A Professional Accounting Corporation
Associated Offices in Principal Cities of the United States
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Independent Auditors' Report

The Board of Directors
CommCare Corporation

We have audited the accompanying consolidated balance sheets of CommCare Corporation (a nonprofit organization) and subsidiaries, as of June 30, 2011 and 2010, and the related consolidated statements of revenue and expenses and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of CommCare Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of CommCare Corporation and subsidiaries at June 30, 2011 and 2010, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2011, on our consideration of CommCare Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Postlethwaite & Netterville

November 30, 2011
Metairie, Louisiana

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COMMCARE CORPORATION
CONSOLIDATED BALANCE SHEETS
AS OF JUNE 30, 2011 AND 2010

	2011	2010
ASSETS		
Current assets		
Cash and cash equivalents	$ 20,495,725	$ 14,343,973
Cash and cash equivalents, restricted	3,254,227	3,271,239
Total cash and cash equivalents	23,749,952	17,615,212
Accounts receivable, net	6,966,327	9,055,355
Notes receivable	325,120	324,683
Prepaid expenses and other current assets	1,445,332	350,752
Total current assets	32,486,731	27,346,002
Property and equipment, net	69,213,478	66,049,501
Other assets		
Investments, restricted for capital acquisition	3,771,278	12,039,453
Intangible assets	6,457,989	6,568,500
Notes receivable, less current portion	80,585	383,536
Miscellaneous	813,077	1,057,570
Total other assets	11,122,929	20,049,059
TOTAL ASSETS	$ 112,823,138	$ 113,444,562
LIABILITIES		
Current liabilities		
Accounts payable and accrued expenses	$ 6,839,150	$ 5,573,153
Current portion of debt of long-term debt	3,240,000	3,080,000
Total current liabilities	10,079,150	8,653,153
Noncurrent liabilities		
Long-term debt, less current portion	56,955,157	60,155,000
Total noncurrent liabilites	56,955,157	60,155,000
TOTAL LIABILITIES	67,034,307	68,808,153
UNRESTRICTED NET ASSETS		
Commcare	45,321,846	44,636,409
Noncontrolling interest in subsidiary	466,985	-
TOTAL NET ASSETS	45,788,831	44,636,409
TOTAL LIABILITIES AND NET ASSETS	$ 112,823,138	$ 113,444,562

The notes to the financial statements are an integral part of these statements.

COMMCARE CORPORATION
CONSOLIDATED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	2011	2010
OPERATING REVENUES		
Patient service revenue	$ 71,564,408	$ 64,319,159
Pharmacy Sales	4,521,911	-
Community mental health centers	-	1,548,337
Investment income	114,100	308,870
Other operating revenues	173,081	478,869
Total operating revenues	76,373,500	66,655,235
OPERATING EXPENSES		
Nursing services	31,759,909	25,376,847
Therapy and ancillary services	5,986,949	7,083,707
Community mental health centers	-	1,489,070
Dietary and food	5,158,366	4,840,832
Plant operations and maintenance	3,784,035	3,914,099
Housekeeping and laundry	2,756,619	2,530,864
Activities and social services	667,317	642,811
Community services	120,557	151,839
Provision for bad debts	277,545	286,659
Advertising costs	141,230	291,374
Provider fees	3,147,005	3,020,741
General and Administrative	11,741,092	10,059,959
Provision for impairment	-	584,418
Depreciation and amortization	3,536,483	2,696,483
Management fees	-	2,500,470
Cost of pharmacy sales	4,037,452	-
Lease expense	264,796	187,802
Total operating expenses	73,379,355	65,657,975
Operating income	2,994,145	997,260
NON-OPERATING REVENUES (EXPENSES)		
Gain on sale of assets	107,800	198,964
Miscellaneous Income	181,037	
Interest expense	(2,471,014)	(2,569,577)
Total non-operating revenues (expenses)	(2,182,177)	(2,370,613)
Contributions from noncontrolling shareholders in subsidiary	340,454	-
Change in net assets	1,152,422	(1,373,353)
NET ASSETS		
Beginning of year	44,636,409	46,009,762
End of year	$ 45,788,831	$ 44,636,409

The notes to the financial statements are an integral part of these statements.

COMMCARE CORPORATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2011 and 2010

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	$ 1,152,422	$ (1,373,353)
Adjustments:		
Depreciation and amortization	3,536,483	2,696,483
Provision for bad debts	277,545	286,659
Provision for impairment loss	-	584,418
Gain on sale of operating assets	(107,800)	(198,964)
Changes in assets and liabilities:		
Receivables decrease	1,811,483	1,594,418
Prepaid expenses (increase)	(1,094,580)	(543,882)
Other assets decrease	337,720	103,816
Accounts payable and accrued expenses increase (decrease)	1,265,997	(3,296,241)
Net cash provided by (used in) operating activities	7,179,270	(146,646)
CASH FLOWS USED IN INVESTING ACTIVITIES		
Purchases of property, furniture and fixtures	(6,706,591)	(3,811,165)
Proceeds from disposal of assets	131,215	380,000
Proceeds from sale of investments	8,268,175	7,511,212
Investments in joint ventures		(270,000)
Payments received on note receivable	302,514	211,781
Net cash provided by investing activities	1,995,313	4,021,828
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on bond principal	(3,080,000)	(1,465,000)
Proceeds from issuance of long-term debt	57,743	-
Payments on other obligations	(17,586)	(50,000)
Net cash (used in) financing activities	(3,039,843)	(1,515,000)
Net increase in cash and cash equivalents	6,134,740	2,360,182
Cash and cash equivalents - beginning of year	17,615,212	15,255,030
Cash and cash equivalents - end of year	$ 23,749,952	$ 17,615,212
SUPPLEMENTAL DISCLOSURE OF NON-CASH FLOW INFORMATION		
Cash payments on interest	$ 2,513,571	$ 2,710,608

The notes to the financial statements are an integral part of these statements.

COMMCARE CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

The accounting policies of CommCare Corporation (the "Company"), a Louisiana non-profit organization, conform with generally accepted accounting principles and reflect practices appropriate to the industry in which the Company and its subsidiaries operate. The Company has adopted June 30 to be its fiscal year end to coincide with the fiscal year end of the State of Louisiana. Significant policies are summarized below.

Organization and Business Description

CommCare Corporation was incorporated on January 12, 1984 and was recognized as exempt under Section 501(c)(3) of the Internal Revenue Code on May 16, 1984. The Company was dormant until 1992 when it began acquiring skilled nursing facilities. The Company's skilled nursing facilities consist of the real properties, improvements, machinery, equipment, inventories, supplies, licenses, and other tangible and intangible assets of twelve nursing home facilities (the "Facilities") located in the State of Louisiana. The Facilities include 1,588 extended-care beds that are licensed and permitted for current operation by the Louisiana Department of Health and Hospitals and other state or Federal regulatory agencies having jurisdiction over the operations of the facilities. The Company also owns a 55% share of a pharmacy located in the State of Louisiana that began operations in fiscal 2011.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, CommCare Louisiana, CommCare Mississippi, and Senescence, LLC, as well as the accounts of the Company's majority owned subsidiary, CCC Pharmacy, LLC. Significant intercompany transactions and balances have been eliminated in the consolidation.

Patient Service Revenue and Concentration of Credit Risk

Patient service revenue is recorded at established billing rates or at the amount realizable under agreements with third-party payors. Revenues under third-party payor agreements are subject to examination and retroactive adjustment Provisions for estimated third-party payor settlements are provided in the period the related services are rendered. Differences between the amounts accrued and subsequent settlements are recorded in operations in the year of settlement. The mix of revenues earned from the delivery of patient services were as follows for the periods ended June 30:

	2011	2010
Medicaid	56%	58%
Medicare	30	28
Other; including VA, Hospice and Private Payment	14	14
	100%	100%

1. Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents and Concentration of Credit Risk

Cash and cash equivalents consist of demand deposits at commercial banks and overnight commercial repurchase agreements (repos). The Federal Deposit Insurance Corporation insures the demand deposit balances up to $250,000. The Company's uninsured cash balances at June 30, 2011 totaled $694,507. At June 30, 2011, the repo balances of $19,100,143 were secured by securities pledged under the agreements. Virtually all deposit accounts are pledged to secure debt (see Note 7).

Property, Equipment and Depreciation

Property and equipment are recorded at cost. Renewals and improvements that extend the economic life of such assets are capitalized. Expenditures for maintenance, repairs and other renewals are expensed. Upon disposition of a capital asset, the asset's cost and accumulated depreciation are removed from the balance sheet and any gain or loss is included in the results of operations. Depreciation is recorded over the estimated useful life of an asset using the straight-line method.

The Company records impairment losses on long-lived assets used in operations when events and circumstances indicate that the assets might be impaired and the undiscounted cash flows estimated to be generated by those assets are less than the carrying amounts of those assets.

Bond Issuance Costs

The Company defers costs related to the issuance of the bonds and loan closing costs. Such costs have been capitalized and are amortized over the life of the bonds.

Interest Rate Swaps

The Company uses interest rate swaps, which although acquired for risk management purposes, do not qualify for hedge accounting under GAAP. Changes in the fair value of these interest rate swaps are reported in current period earnings. (See Note 7).

Intangible Assets

Intangible assets consist primarily of Certificates of Need (CON). Louisiana statutes require that the Company obtain a CON prior to the addition or construction of new nursing home beds, the addition of new services or certain capital expenditures in excess of defined levels. A CON certifies that the state has made a determination that a need exists for such new or additional beds, new services or capital expenditures. CONs arose in the acquisition of existing homes. Management evaluates the net carrying value of all intangible assets for impairment when circumstances indicate that the assets might be impaired, but no less than annually.

Income Taxes

No provision for income taxes has been made in the accompanying financial statements. The Internal Revenue Service has determined that the Company is a qualifying 501(c)(3) organization and is exempt from income taxes. Generally accepted accounting principles require an organization to account for uncertainties in income taxes. The interpretation requires recognition and measurement of

1. Summary of Significant Accounting Policies (continued)

uncertain income tax positions using a "more-likely-than-not" approach. CommCare Corporation's tax returns for the years ended, June 30, 2010, June 30, 2009, and June 30, 2008 remain open and subject to examination by taxing authorities.

Advertising Costs

Advertising costs are expensed as incurred and totaled $141,230 and $291,374 for the years ended June 30, 2011 and 2010, respectively.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

2. Accounts Receivable

The Company grants credit without collateral to its residents, most of whom are local inhabitants and are covered under third-party payor agreements. Receivables net of allowances were $6,966,327 and $9,055,355 as of June 30, 2011 and June 30, 2010, respectively. Management performs an evaluation of amounts due from third-party payors (including estimated cost report settlements), residents, responsible parties, and insurers, and reduces accounts receivable by an allowance for uncollectible accounts. The allowance for uncollectible accounts was $745,799 and $347,650 as of June 30, 2011 and June 30, 2010, respectively. Virtually all accounts receivable are pledged to secure debt (see Note 7).

3. Notes Receivable

The Company financed the sale of its sole member interests in three mental health operations through loans for a total amount of $920,000 with rates ranging from 3.25% to 6% per annum and maturing in 2012. The outstanding principal amount of the notes at June 30, 2011 and 2010 was $405,705 and $708,219 of which $325,120 and $324,683, respectively, is current.

4. Property and Equipment

Property and equipment consist of the following at June 30:	2011	2010
Land	$ 6,526,169	$ 6,526,169
Land improvements	3,990,596	3,910,714
Buildings and improvements	60,604,418	58,649,128
Furniture, fixtures and equipment	16,573,165	15,144,014
Construction in progress	4,624,486	1,592,266
Total property and equipment	92,318,934	85,822,291
Less accumulated depreciation	(23,105,356)	(19,772,790)
	$ 69,213,478	$ 66,049,501

4. Property and Equipment (continued)

Depreciation expense was $3,336,926 and $2,596,160 for the years ended June 30, 2011 and 2010 respectively. Substantially all land, buildings, improvements, and equipment are pledged to secure debt (see Note 7).

As of July 1, 2009, the Company leased thirty-three (33) skilled nursing facilities. The lessors of these facilities notified the Company that the leases would not be renewed upon expiration at June 30, 2010. Under the terms of the lease agreements, the leasehold improvements and equipment purchased by the Company for the facilities became the property of the lessors at termination. Accordingly, the sales price for each facility was equal to its equity reduced by the net book value of its fixed assets as of December 31, 2009. The cost of the assets disposed was $11,766,858 as of June 30, 2010, of which $11,182,440 was recorded as an estimate in the prior year, resulting in an additional loss of $584,418 which is included in the provision for impairment loss for the year ended June 30, 2010.

The Company leases an office and equipment under various operating leases. The future minimum fiscal year lease payments for all leases are as follows:

2012	$ 314,877
2013	293,774
2014	250,182
2015	203,589
2016	107,248
Thereafter	11,363
	$ 1,181,033

5. Mental Health Centers

The Company sold its three remaining comprehensive mental health centers in fiscal year 2010 for a net gain of $185,863 which is included in the statement of revenues, expenses and changes in net assets as gain on sale of assets.

6. Restricted Assets

As of June 30, 2011 and 2010 the Company had cash and cash equivalents of $3,254,227 and $3,271,239, respectively, restricted for debt and/or capital acquisition. The restricted cash is held in trust and reflects amounts deposited by the company toward the principal payment of bonds and/or capital acquisitions.

At June 30, 2010, the Company had investments of $12,039,453 restricted for capital acquisition. The restricted investments were held in a guaranteed investment contract ("GIC") at an original rate of 3.23% that terminated June 1, 2010. The Company and the GIC provider executed an amendment to the investment agreement, dated April 28, 2010, that extended termination date to June 1, 2011 and with an interest rate of 0.19%. The funds liquidated from the GIC have been used to fund the acquisition, construction, and equipping of three replacement nursing facilities in the parishes of East Baton Rouge, Ouachita and Avoyelles.

7. Debt Obligations

	2011	2010
Long term debt consists of the following as of June 30:		
LPFA Revenue Bonds Series 2008A, dated and funded June 24, 2008, in the original amount of $17,200,000. The interest rate is based on the Weekly USD-SIFMA Municipal Index. The interest rate on the bonds was .09% and .31% at June 30, 2011 and 2010, respectively. The Company executed an interest rate swap with JPMorgan Chase (Chase) for the term of the bonds to effectively convert the variable interest rate to a fixed rate of 3.389%. The bonds are collateralized by an irrevocable transferable direct pay letter of credit (LOC) issued by Chase Bank in the amount of $17,397,918. The LOC is collateralized by a first mortgage and security interest in the twelve skilled nursing facilities owned by the Company including their revenues, receivables, and virtually all of their other assets. The Trustee of the bonds is The Bank of New York Mellon Trust Company.	$ 12,995,000	$ 15,840,000
LPFA Revenue Bonds Series 2008B dated and funded July 17, 2008, in the original amount of $47,500,000. The interest rate is based on the Weekly USD-S1FMA Municipal Index. The interest rate on the bonds was .09% and 31% at June 30, 2011 and 2010, respectively. The Company executed an interest rate swap with JPMorgan Chase (Chase) for a three year period beginning October 1, 2008, to effectively convert the interest rate on $35 million of the bonds to a fixed rate of 3.175%. The bonds are collateralized by an irrevocable transferable direct pay letter of credit (LOC) issued by Chase Bank in the amount of $48,046,575. The LOC is collateralized by a first mortgage and security interest in the twelve skilled nursing facilities owned by the Company including their revenues, receivables, and virtually all of their other assets. The Trustee of the bonds is The Bank of New York Mellon Trust Company.	47,160,000	47,395,000
Notes payable secured by automobiles due in installments at various interest rates through 2015	40,157	-
Total debt obligations	60,195,157	63,235,000
Less current portion of debt	(3,240,000)	(3,080,000)
Long-term debt	$ 56,955,157	$ 60,155,000

7. Debt Obligations (continued)

Maturities of principal in subsequent fiscal years are as follows:

2012	$	3,240,000
2013		3,405,000
2014		7,090,000
2015		2,135,157
2016		4,055,000
2017		4,250,000
Thereafter		36,020,000
Total	$	60,195,157

Interest expense for the years ended June 30, 2011 and 2010 was $2,471,014 and 2,569,577, respectively. Capitalized interest costs for the years ended June 30, 2011 and 2010 were $4,187 and $11,749, respectively.

In order to modify exposure to interest rate risk, the Company entered into interest rate swaps with JPMorgan Chase (Chase) related to the 2008A and 2008B bond issues that are secured by letters of credit issued by the Bank. The use of the swaps effectively converts the notional amount of the swaps related to each bond issue to fixed rates of 3.389% and 3.175%, respectively. The notional amounts are $17,200,000 and $35,000,000 for the 2008A bonds and 2008B bonds, respectively. The rate swaps are subject to the ISDA Master Agreement dated June 12, 2008, between Chase and the Company. Terms of the agreements provide a right of set-off of security interests and collateral and netting of payments. As such, the agreements do not contain a significant investment element and are primarily interest based. The Company has made the accounting policy decision to offset fair value amounts. Under the terms of the agreements, the only amount due between the parties is the net difference in the monthly interest rate computations; accordingly, the fair values are fully offset. The fair value of these swaps was $116,112 and $117,680 due the counterparty at June 30, 2011 and 2010 respectively. The Company recorded $1,367,019 and $1,447,599 as interest expense for the years ended June 30, 2011 and 2010 respectively, as a result of these swaps.

For the year ended June 30, 2010, the Company received a waiver from JPMorgan Chase (Chase) for covenants included in its reimbursement agreement relating to the letters of credit between the Company and Chase. On February 25, 2011 the Company executed a fourth amendment and supplement to the reimbursement agreement with an effective date of July 1, 2010 resulting in an adjustment to its minimum net worth and minimum debt service requirements. The Company was in compliance with the financial covenants related to these bonds at June 30, 2011.

During fiscal year 2006, the Company placed funds in an irrevocable trust for completion of an in-substance defeasance for three series of bonds, Louisiana Public Facilities Authority Revenue Bonds Series 1994 — Ruston, Louisiana Public Facilities Authority Revenue Bonds Series 1994, and Louisiana Public Facilities Authority 2005 Series B & C. The outstanding balance for the defeased bonds totaled $13,400,000 as of June 30, 2010.

8. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of the following at June 30:

	2011	2010
Accounts payable	$ 1,957,374	$ 2,692,290
Accrued salaries, wages and payroll taxes	3,310,651	1,489,211
Accrued professional liability	790,000	-
Accrued workers compensation (see Note 10)	243,911	687,571
Other accrued expenses	537,214	704,081
	$ 6,839,150	$ 5,573,153

9. Fair Values of Financial Instruments

The Company determines the appropriate level in the fair value hierarchy for each fair value measurement. The level in the fair value hierarchy within which a fair value measurement falls is determined based on the lowest level input that is significant to the fair value measurement in its entirety. The levels are as follows:

Level 1 – Valuation is based on quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2 – Valuation is based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 –Valuation is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

As of June 30, 2011 the fair values of financial instruments were determined as follows:

	Carrying Value	Fair Value
Long-term debt	$ 60,195,157	$ 60,195,157

As of June 30, 2010 the fair values of financial instruments were determined as follows:

	Carrying Value	Fair Value
Guaranteed investment contract	$ 12,039,453	$ 12,039,453
Long-term debt	63,235,000	63,235,000

Each of the fair value measurements at the reporting date is based upon significant other observable inputs (Level 2) for 2011 and 2010. The carrying value of other financial instruments approximated their fair value as of June 30, 2011 and 2010.

10. Workers' Compensation Insurance

Through May 2010, the Company participated in a self-insured workers' compensation plan for its Louisiana facilities. The plan was administered in accordance with Louisiana laws and had excess insurance coverage equal to or greater than the statutory limits. A third-party administrator identified, processed and settled claims. Losses from asserted claims and from unasserted claims identified under the incident reporting system were accrued based on estimates that incorporated past experience, as well as other considerations including the nature of each claim or incident and relevant trend factors. During fiscal year 2010, the Company became fully insured by Risk Management Services.

11. Commitments and Contingencies

There are various claims and litigation against the Company as of June 30, 2011, that could materially affect its financial position at the time of the ultimate settlement of such actions. The Company has insurance coverage for all claims in the state of Mississippi. For medical malpractice cases in Louisiana, the Company is self-insured up to the first $100,000 per claim and is covered for the excess over $100,000 up to the statutory malpractice damages "cap" of $500,000 through enrollment in the Louisiana Patients' Compensation Fund (the "Fund"). Management is of the opinion that the Company's reserve provides adequate coverage for the first $100,000 of each claim outstanding. Due to the state of nursing home litigation and the unpredictability of jury verdicts, it is the opinion of management that it is reasonably possible that this estimate will change in the near term and that an estimate of an upper range of damages cannot be made as of June 30, 2011.

12. Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, November 30, 2011, and determined that no additional disclosures are necessary.

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Board of Directors
CommCare Corporation

We have audited the financial statements of CommCare Corporation (the Organization) as of and for the year ended June 30, 2011, and have issued our report thereon dated November 30, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Organization's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

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This report is intended solely for the information and use of the audit committee, management of the Organization and the State of Louisiana and Legislative Auditor's Office and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Postlethwaite & Netterville

Metairie, Louisiana
November 30, 2011